

ALBANIA
NGO Sustainability Index
1999

OVERALL RATING: 4.8

Albania gained substantial international attention during the conflict in Kosovo. The presence of almost 500,000 refugees as well as both foreign military and international donor organizations has made an impact on all of Albania, but especially on many rural areas and on local NGOs over the last year. The crisis also forced Albanians at local and central government levels to redefine development priorities. Albania remains a polarized society, but it has made some steps toward reducing the level of tension between a number of the country's contending groups. It now has a legitimate Constitution, and is in the process of planning for local elections in 2000 and national elections in 2001.

While the international community and the Albanians themselves still perceive lawlessness and corruption as the major roadblock to economic development, there is also the awareness that the police and customs officials are beginning to make more arrests. Positive changes in the NGO sector include: the phenomena of more Tirana-based organizations reaching out to the areas of Albania beyond Durres and Elbasan that had been neglected since the upheavals of 1997; and more local NGOs offering necessary services for both refugees and their own communities. There was a dramatic increase in the number of Albanians who worked as volunteers during the crisis, and there was increasing recognition by the government that these organizations were useful.

Though there have been noticeable changes in Albania over the last year and there are about 500 to 600 local NGOs registered, about half of these are fully engaged in on-going activities. Unfortunately, the draft NGO law is still awaiting passage and will probably not be passed until other civil codes have been put into place. Albanian organizations are still largely donor driven and at an early stage of development due in large part to mistaken donor policy, that emphasized advocacy over service provision/community development. Once the new NGO law is in place, Albanian organizations will be better able to define their role as non-profit organizations and engage in income generating activities. This will facilitate their independence from foreign donors as the country's economic situation improves.

LEGAL ENVIRONMENT: 4

While a draft NGO law that awaits passage is among the best in the Balkans, the Civil Code still provides the basis for associations and foundations in Albania. Thus, current law does not appropriately address such issues as internal management or reporting on economic activities.

At the same time, NGOs are fairly well insulated from state control and arbitrary or politically motivated dissolution. NGOs generally enjoy the freedom to operate and express opinions openly. Though they are rarely harassed by the government, they are occasionally under scrutiny from the tax police. Tax benefits are limited and the tax framework is so ambiguous that it does not provide adequate support for Albanian NGOs.

For procedural reasons, the Ministry of Justice would like to see the Civil Code revised before passing the new NGO law. Nonetheless, it is expected that the draft NGO law will pass in the

coming year and advocacy efforts will be increasing to that end. Though most the NGOs in Tirana understand the need for the new law, much work is left to be done throughout the rest of Albania to gain a broad based support for and understanding of the legislation. Once legislation is passed, efforts to train judges, lawyers, and NGOs themselves in its implications for the sector will be the next challenge.

ORGANIZATIONAL CAPACITY: 5

On the whole, there has been only a little change in this area since last year. More concrete improvements to fill the gaps in training and organizational development are currently in the planning stages for the sector.

With a few exceptions, Albanian NGOs remain donor driven, which results in organizations changing their mission to be eligible for grants rather than as a tool to develop constituencies and advanced capability in a given sector.

While Albanian NGOs are rarely characterized as community organizations, the Kosovo crisis marked a turning point in the role of volunteers. Most citizen efforts to support the increasing flow of refugees into the country during the spring and summer of 1999, were channeled through NGOs. The Albanian Youth Council recruited about 800 volunteers from around the country. However, there is little to offer in country, in the way of training for the volunteers or for those who must recruit and manage them.

Albanian NGOs are still weak in management structure and tend to have boards that have little awareness of their role. Many board members are there simply because they are paid. Most board members have little understanding of their relationship with the executive staff, which still tends to be focused on a single strong leader. A few of the heads of leading NGOs in Tirana have begun to delegate some management, but these are still much in the minority. Currently, only organizations located in Tirana are able to enjoy use of the Internet, though there are plans for the network to be spread to other municipalities in the near future.

FINANCIAL VIABILITY: 5

In Albania, local business is still at an early stage of development and the government continues to face major financial, infrastructural and social problems with few resources. Thus, the NGO sector remains dependent on the donor community, either through grants or through the sale of their services to international organizations. Until the legal framework allows the NGOs to engage in income generating activities, their financial viability will remain a very distant goal.

The creation of sound financial management systems, reporting formats and the training of finance personnel is still widely lacking in the sector. In turn, financial mismanagement is fairly widespread. Currently, most donors do not provide much oversight of their grants. An increase in donor involvement might result in a "demonstration effect," elevating the importance of financial management among the NGOs themselves.

ADVOCACY: 4

The USAID-funded Democracy Network Program (DemNet) has been the only project in Albania that offers comprehensive policy advocacy training. The work in the area may be picked up by OSCE in the future and by a few umbrella groups of women and youth.

There are good working relations between various ministries and some Tirana-based NGOs. During the process of drafting the new constitution, there was an increase in NGO participation on both the drafting and lobbying process for the new legislation. About one-quarter of the new constitution's provisions were modified as a result of NGO recommendations. The creation of an ombudsman and a law on mediation are examples. NGOs are also poised to become engaged in efforts to combat corruption in the near future.

Although there is considerable work ongoing to strengthen local governments, finances are still managed centrally. NGOs, in cooperation with local authorities, have taken part in drafting regional economic strategies, prioritizing local development needs, worked to raise environmental consciousness, and helped to provide health services and leisure facilities. Another promising local effort is the formation of parent NGOs to improve schools. The trend is likely to grow as the decentralization process continues.

SERVICE PROVISION: 5

In Albania's transitional economy, the government is unable to provide basic services to its citizens. The role NGOs can play in this area is still little understood by central government though there has been some progress made at local levels with administrations being more open to NGO participation. The new NGO law would enable NGOs to engage in providing services.

In turn, a major deficiency in the current Civil Code that provides the basis for associations and foundations in Albania, is that it does not define a non-profit organization -- creating uncertainty for NGOs wishing to provide services or other income generating techniques.

Given that most Albanian NGOs are donor driven, the lack of service provision also reflects donor policy. Few international donors offer grants or technical assistance to support Albanian NGOs that could or want to provide services to their membership or to the general public.

INFRASTRUCTURE: 5.5

Few resource centers exist in Albania and those few are mostly located in Tirana. The services that they offer tend to be limited to computers, photocopying and in some cases, language training. There are a few trainers available, but there is only one organization specializing in training, and it is still in the early stages of development.

At present, resource centers still compete for grants and information. They are not linked in any way though a coordination center for NGOs is in the early stages of planning.

The majority of training still takes place outside Albania, but over the last year there has been an increase in the use of training centers in Central and Eastern Europe to build Albanian capacity. As a result of the presence of international donors in Albania during the Kosovo crisis there are an increased number of personnel that have worked for international organizations, which made a positive impact on the quality of local NGO staff.

PUBLIC IMAGE: 5

While the government and public remains largely unaware of the role of NGOs in a civil society, the Kosovo crisis has increased exposure of local NGOs in the press. Though there was some negative publicity, the NGO sector itself has gained a slightly increased understanding of the need to work with the press. Publicity campaigns and public service announcements are new

phenomena. The media still charge NGOs for coverage much as they do commercial enterprises, so training is needed both for the NGOs and for the media itself to overcome these barriers.

ARMENIA
NGO Sustainability Index
1999

OVERALL RATING: 5

There are 1,800 registered NGOs in Armenia. Approximately 50% of this group can be considered active. About 50 NGOs can be considered strong in their programmatic areas. Indeed, NGOs continue to struggle in Armenia, facing both internal and external problems that hamper the effectiveness of the sector as a whole. These problems include a weak economy that cannot adequately support NGO activity, a legal framework that does not encourage individual/corporate financial support to NGOs, cultural impediments to NGOs actively engaging in fundraising and revenue raising activities, and a population that is not well-educated on the importance of NGOs. However, there are some significant examples where NGOs have overcome these obstacles and created extremely successful programs. Financially they may still rely on the international community, but their ability to respond effectively to community needs, their clear vision, and their organizational capacity give hope to the sector.

LEGAL ENVIRONMENT: 4

Armenia's civil code was enacted on January 1, 1999 and therefore the establishment of different types of non-profit organizations (such as foundations, not conceptualized under previous legislation) is now permitted. NGOs can register relatively easily, and once registered they are generally free from government harassment. Some NGOs may complain about overbearing tax police, but most cases are primarily the tax police enforcing the law rather than exceeding their authority. The Young Lawyers Association provides assistance to NGOs on registration for a fee. There are other lawyers, while not specialists on NGO law, who are familiar with NGO law and can provide assistance to NGOs on legal issues.

Although NGOs do not encounter political problems during registration, they often face bureaucratic delays in getting approval. The Ministry of Justice is responsible for registration. All NGOs must submit paperwork in Yerevan, as the Ministry does not have branch offices, causing logistical difficulties for NGOs in the regions. While NGOs do not have to pay taxes on grants (except for standard VAT and income taxes), there are only limited incentives for local businesses or individuals to provide donations to NGOs. In addition, legislation surrounding revenue-raising activities remains unclear.

ORGANIZATIONAL CAPACITY: 5

Between forty to fifty leading NGOs have clearly-defined visions. Staff who work on projects tend to be retained for long periods of time, although they cannot be considered permanent staff, since their contracts last only as long as the international donor grants that support them. Many NGOs have been able to secure basic office equipment such as computers, faxes, etc., because of available donor funding.

Many NGOs rely primarily on grants from international donors for funding, because fundraising and revenue raising are still difficult in the Armenian environment. As donors shift their focus, many NGOs will shift their programming as well, in order to obtain donor funding, losing sight

of their strategic vision. Legally NGOs are required to have a Board of Directors, but quite often their Boards are composed of leading staff in the NGO. Very few NGOs have permanent paid staff in either management or support positions (such as secretary or accountant).

FINANCIAL VIABILITY: 6

Little progress has been made in the area of financial viability. If NGOs have funding from multiple sources, it tends to be from multiple international donors. Income is rarely diversified among international donors and other forms of local support. Training has been provided to the most advanced NGOs in both fundraising and revenue raising. In the long-term it is hopeful that this training will improve this sector of NGO sustainability.

The poor economy and the lack of incentives for local businesses and individuals to donate to NGOs have greatly hindered the financial viability of NGOs. Some NGOs keep double books in order to hide donations from the tax police, as local businesses and individuals do not want to be identified. Grants from donors often come with restrictions, such as no funding for overhead, which limits how NGOs can cover these costs. Despite fundraising and revenue raising training, economic problems and cultural impediments remain, that limit implementing these techniques successfully.

ADVOCACY: 5

Some NGOs have improved their capacity to advocate. There is a wider understanding (although still quite limited) of the importance of advocacy, both to advance the interests of particular NGOs and to advance the interests of the sector as a whole. Although many NGOs are not comfortable or able to lobby, several have started moving in this direction over the past year, at the national and local level.

Many NGOs have direct communication with national and local governments but continue to have very limited influence. Although there have been cases in which NGOs have formed informal coalitions on a particular issue, these are rare, and the coalitions tend not to last for very long. There have been few, if any, attempts by the NGO sector, either by individual NGOs or by coalitions, to advocate for improved legislation that would strengthen the sector as a whole.

SERVICE PROVISION: 5

There is substantial diversity in the areas in which NGOs provide assistance, and there are strong NGOs leading each of the major sectors. The goods and services that NGOs provide generally meet the needs of local communities, and the interests of the international community coincide with this. If NGOs are conducting a seminar, they quite often invite other NGOs, government representatives, and the media to participate. There is a similar dissemination of information through printed materials.

Although the donor community is often familiar with the needs of local communities, the interests of donors primarily drive NGOs. If international donors are not addressing a community need, NGOs do not actively pursue ways to meet these needs. NGOs include other NGOs (as well as government and the media) when holding seminars or disseminating material. However, this tends to be a select group of people. These seminars are not publicized to, or attended by the larger community in general. Very few NGOs can recover their costs for goods or services provided. Most do not charge fees.

INFRASTRUCTURE: 5.5

There are two NGO resource centers in Armenia. Both rely almost exclusively on donor funding. These centers provide training on basic NGO development, and on more advanced topics such as fundraising and volunteer management. The centers rely primarily on local trainers, with only the occasional international trainer conducting seminars on advanced topics. NGOs are attempting to develop better working relationships with the government and the media, and have achieved a few successes.

This capacity would be lost almost immediately if donor assistance were to end, because the resource centers are far from being financially viable. NGOs do not have the ability to pay for resource center services, including training and access to computer centers. NGOs share information on particular issues, but in most sectors formal coalitions do not exist and much greater coordination is needed to strengthen the sector.

PUBLIC IMAGE: 5

NGOs have been much more active in getting media attention focused on their activities. They have been able to get favorable coverage in both print and broadcast media, by inviting media to events and explaining how their activities benefit the community. Broadcast media, both state and private, have demonstrated a willingness to allow Public Service Announcements (PSAs) to be broadcast free or for a minimal charge.

Although NGOs have been more proactive in working with the media, in many cases the public still does not understand the significant role that NGOs can play in society. Most NGOs do not approach public relations in a professional manner, and often their message is not disseminated widely enough or else is misinterpreted. NGOs have not attempted to adopt a code of ethics.

AZERBAIJAN
NGO Sustainability Index
1999

OVERALL RATING: 5.6

The local NGO sector in Azerbaijan is growing in both size and strength. In the past year, a number of mid-level NGOs have emerged with the capacity to handle larger grants and with an interest in more advanced level training. At the same time, increasing numbers of initiative groups have been organized and are working at a grassroots level acquiring basic skills for survival. There are currently approximately 200 active NGOs in Azerbaijan.

The range of services provided by these organizations is growing and the types of programs offered are continually becoming more diverse -- to include education, children/youth, health, environmental protection, economic development, civil society, media, and relief. A majority of the population is still unfamiliar with NGOs, but as these organizations increase in number and programming reaches out beyond the capital city of Baku, public awareness of NGOs is steadily growing. In addition, the independent media is slowly becoming more receptive to reporting on the activities of local organizations.

The legal environment remains somewhat hostile and registration is still difficult in most cases, but there are signs of improvement in this area as well. While there is still much progress that needs to be made in order for this sector to be seen as a viable force within society, over the past year many positive steps have been made.

LEGAL ENVIRONMENT: 6

On the surface, there has not been much change in the legal environment in Azerbaijan regarding local NGOs in the past year and registration remains difficult for those without personal contacts or unwilling to pay bribes. NGOs are allowed to operate with some degree of freedom. Organizations with political interests are under more pressure than groups focusing on social sector issues. In general, there are no reports of physical harassment, although forms of intimidation are used in some cases, such as frequent monitoring of offices, financial checks, and repeated visits from tax authorities.

A number of positive steps have been taken which indicate that change will most likely occur during the next year. A Parliamentary Commission was formed in January 1999 to draft NGO legislation. This Commission is being advised by the Council of Europe and UNHCR and the international and local NGO communities are currently working to determine a mechanism in order for them to be able to comment on draft legislation. There is hope that this legislation will be passed in winter 2000, increasing the abilities of local NGOs to register and function effectively. The formation of this Commission indicates the government's growing recognition that it needs to begin accepting the existence of local NGOs and develop mechanisms through which to work with these organizations.

In April 1998, a Grants Law was passed that addresses taxation issues for organizations receiving grants. The wording of this law remains somewhat vague and while it is generally accepted that the law provides tax exemptions to grant recipients in all areas except income tax, the social

funds (pension, etc.) are claiming that as non-state entities, the law does not refer to them. As a result, these entities are still attempting to receive taxes from some local NGOs. Members of the international and local NGO community are currently working to clarify this law. In addition, some social groups such as disability organizations sporadically receive tax exemptions. As such, clarification is still required from the government in order for the law to be adhered to by tax authorities and be truly effective.

In general, NGOs are not involved in competitions for government contracts/procurements. There is only one example to date of a government contract that has included NGO involvement. This contract involved the cooperation of the World Bank Finance Project and the Cabinet of Ministers and was open for NGO competition. The approximately \$400,000 contract was given to a local NGO to conduct a needs assessment and provide training.

A number of local lawyers groups, including the Lawyers Association, the Legal Advice Center and the Fund for Democracy and Development, are now offering services to local Baku-based NGOs on a variety of legal topics. Some of these groups are offering legal advice in the regions of Azerbaijan as well. In addition, there is a Human Rights Resource Center in Hachmaz that offers legal advice to organizations in the Guba region of Azerbaijan.

ORGANIZATIONAL CAPACITY: 5.75

Organizational capacity is improving among some NGOs. In the past year, a core group of mid-level NGOs representing a variety of sectors has emerged. Management training for NGOs is in high demand. Most NGOs in Azerbaijan do not have a clearly defined mission statement by which they run their activities. Many of the stronger NGOs do have a sense of mission and remain focused in the activity they carry out. Some Azeri NGOs are establishing more clearly defined management structures with departments and division of responsibilities. In general, organizations are now paying increased attention to organizational issues than in past years. With training, individuals are now usually able to define their role in their organization and are able to describe their responsibilities. Many organizations, however, are still not working with Boards of Directors. A majority of the Boards that do exist consist largely of staff members, relatives, or appear just on paper as part of the organizational charter, but never become a reality.

While the leading Azeri NGOs have permanent staff, a majority of organizations work project to project. Even those organizations that do have permanent staff are not always able to pay those staff and a distinction exists between unpaid organizational staff and volunteers. A number of the stronger organizations have been able to effectively use volunteers in their organization. Very few organizations have the resources to allow for modernized basic office equipment. In a recent needs assessment, equipment was ranked as the number one need by local NGOs. As a result, in Baku, many organizations use computers at resource centers. In the regions of Azerbaijan, limited access to equipment exists. In general, Azeri NGOs are not focused on constituency building. A few stronger organizations have recently begun to build constituencies.

FINANCIAL VIABILITY: 6

A few of the strongest local NGOs in Azerbaijan have improved their fundraising skills, cultivated a loyal core of supporters and diversified their funding portfolio from international sources, including international foundations, international NGOs, international businesses and foreign Embassies. The majority of organizations do not have the resources available to remain viable for even the short-term future. There are limited local sources of funding available from either businesses or government entities and the legal environment does not encourage corporate

giving. Of the limited government funding has been available to date, a majority has been given to government supported NGOs. One form of fundraising that has potential in Azerbaijan is the organization of large-scale events, for example in spring 1999 the Thalassemia Association organized a concert that raised more than \$15,000.

NGOs in Azerbaijan do not yet typically engage in membership outreach programs. One of the few organizations that has taken part in this type of activity, the Free Consumer's Union, has a membership base of over 2000 people from around the country. Almost no membership-based organization collects dues and few or no organizations have revenues from services, products or rent. Since a majority of local NGOs work project to project, they change their financial reporting to meet the different requirements of the donor organizations during the length of project implementation. As a result, most local NGOs have not had the resources or the incentive to develop sound financial management systems.

ADVOCACY: 6

Due to the political environment, advocacy and lobbying of the government for reform is still not carried out by the majority of local NGOs in Azerbaijan. These efforts are slowly increasing and a number of media groups, democracy-oriented and human rights organizations are becoming more open and involved in some lobbying efforts, are communicating with policy makers and have an influence, albeit sometimes limited, on public policy at the central/federal/local levels.

Other organizations, while not engaging in direct lobbying efforts, are using newspapers and other media tools to raise awareness to their cause. In addition, NGO representatives have begun to be invited as experts in a field when a law is being drafted or decisions are being made at a federal level. In general, many of the links that do exist between NGOs and government departments still tend to be based to some degree on personal contacts. While few, if any, issue-based coalitions have been formed by local NGOs themselves, that are able to impact policy, some local NGOs have been involved in effective issue based coalitions.

There is a good understanding among the NGO community about how a favorable legal and regulatory framework can enhance NGO effectiveness. Local organizations regularly discuss the impact that effective legislation could have on their ability to register, receive tax-exemptions and operate on a daily basis. As a result, local NGO representatives have engaged in some local advocacy efforts for legal reform. Little of this advocacy has been well organized.

SERVICE PROVISION: 4.5

NGOs are providing a growing range of goods and services through their programming to meet the needs of a larger percentage of the population -- including basic services such as health, education, relief, housing, and water. NGOs also provide goods and services in areas such as economic development, environmental protection, governance and empowerment. Part of the diversification that exists has been generated by the mandates of the international NGOs who regularly look to work with local partner organizations, resulting in the creation of organizations working in a variety of fields. A number of local organizations are also started by committed, enthusiastic individuals who see a need in society and are interested in trying to bring about change.

While the types of services provided is growing, the quality of services offered varies as many organizations are still developing capacity. Taking into consideration the fact that many organizations are in their early stages of development, there is not yet a significant focus on

building constituencies and clientele beyond the groups that the organizations are working with directly. Goods and services offered by local NGOs, reflect to some degree, the needs and priorities of local and foreign donors, the government and the community. Because foreign donors are currently the main source of support for local NGOs, these organization's activities tend to cater more to foreign donor priorities than others. A few of the stronger local NGOs are more consistently conducting needs assessments of some type to track the needs in the communities in which they work or plan to work. While many types of organizations exist, there are not necessarily a significant number of competent organizations in some sectors. As a result foreign donors have noted that the pool of organizations in some fields is small and the possibility for funding new organizations with creative ideas is sometimes limited.

Goods and services offered by NGOs are, to some degree, provided to a constituency broader than the NGOs' own membership. Recently, local NGOs have begun to distribute their publications and studies to the larger international community as well as other interested local NGOs and in some cases, government officials. Workshops and seminars organized by local NGOs regularly look to include members of other NGOs, government and academia.

While the government generally does not fully recognize the value of NGOs in their provision of basic social services, this is slowly beginning to change. The Vice Prime Minister of the State Committee for Refugees and IDPs has a general understanding of local NGOs and recognizes the need to involve them more actively in society. In addition, a few local government officials seem to understand what NGOs can offer their communities and provide free space and other forms of basic support for local NGO operations. The government does not provide many grants or contracts to local NGOs yet as a result of limited understanding of NGOs as well as limited funding availability. In the case of NGOs working with the most vulnerable categories of society, such as IDPs/refugees, orphans, street children, etc, local authorities tend to provide logistical support, office space and other services to support NGOs activities. The only government body that does provide sporadic grants to local NGOs is the Ministry of Youth and Sports.

INFRASTRUCTURE: 5.5

Support infrastructure for local NGOs is slowly improving. While only three NGO resource centers currently exist in Azerbaijan, there are plans for new centers to be opened in the regions during the next year. Currently, NGO Resource Centers do not earn income to cover any of their operating expenses. International NGO development organizations provide training, technical assistance, grants and other support to the local NGO community. A few local organizations have begun to provide training seminars and workshops on specific areas of interest but this remains rare. These organizations are not, however, supported financially by the local NGOs to whom they provide services

A number of NGO coalitions have been formed during the past few years including migration NGOs, human rights NGOs, women's NGOs, and children's NGOs. In addition, in June 1999, a NGO forum was created to represent the interests of the NGO sector. As a number of organizations believed that elections for this forum were not democratic and that government interests control the forum, an NGO Congress has been created by a number of local organizations as an alternative to the NGO forum. These two groups need to work through their differences before it can be claimed that there is an organization in place that is able to promote the interests of the NGO sector.

There have been only limited examples of NGOs working in partnership with local business, government and media to achieve common objectives. During the past year the media has begun

to more actively cover the NGO sector, although no true examples of partnership seem to exist yet between the media and local NGOs to achieve common objectives. While the NGO sector is beginning to see the value of relations between themselves and the business sector and to a lesser degree the government, the other two sectors are not yet as aware of the significance of these relationships.

PUBLIC IMAGE: 6

Overall, public awareness of NGOs remains a significant problem for NGO development in Azerbaijan. A majority of the population is still unfamiliar with NGOs, what their role is or how they function in society. While there has been increased coverage of NGO activity during the past year and journalists are becoming more familiar with the activity of NGOs, more active steps need to be taken in order to raise the populations' awareness to these organizations.

The independent media is slowly beginning to cover NGOs more actively, while state controlled media only rarely reports on NGOs. An increasing number of articles about NGO activity are appearing in newspapers, NGO events are shown more regularly on television and at least two radio stations in Baku work with NGOs on a relatively regular basis. Because of the current state of the media in Azerbaijan, one problem encountered by NGOs is the informal request for payment for media coverage of their events.

NGO representatives are still learning about the importance of media coverage for their activities and the best methods to use in order to guarantee coverage of their events. Representatives of the media are still acquiring knowledge about NGOs, the role they play in society and how they are part of democratic development. Local media NGO Yeni Nesil and others are planning to continue work during the next year toward improving understanding of and cooperation between NGOs and media representatives.

While the perception of this sector is improving, it remains varied, and it is still frequently equated with the political opposition or as a front for business activities. In general, the local and central government oppose NGOs with some regions going so far as to define the local government as hostile to their purposes. The business sector has only a peripheral knowledge of the NGO sector and limited tax incentives or lack of available monies cause them not to provide funding opportunities for NGOs. In general, NGOs need to continue to professionalize and present themselves effectively in order to gain the respect of the population, government and business communities.

NGOs are beginning to have an understanding of the value of a positive public image and have started to more actively disseminate information to the broader public. Many NGOs have brochures and booklets outlining their goals and activities and some have begun to hold community-based events such as clean-up days, concerts, and sport days for children. NGOs are also beginning to more actively publicize their activities through press conferences and increased interaction with media representatives.

BOSNIA AND HERZEGOVINA
NGO Sustainability Index
1999

OVERALL RANKING: 5.3

Modern NGOs evolved in Bosnia and Herzegovina (BiH) during, and in the aftermath of war. The sector's evolution cannot be divorced from the broader consequences of the war, including the devastation of BiH's political, economic and social fabric; the country's division into two Entities; politically-driven restrictions on freedom of movement, association and expression; and intensive international involvement.

The sector's early service orientation grew out of immediate war-time imperatives, the influence of international humanitarian relief organizations and the availability of donor funding for emergency assistance programs. The post-war period has seen the emergence of NGOs committed to a broader range of activities associated with "civil society development" including gender issues, human rights and media monitoring, legal advisory services, civic education, conflict resolution, and micro-credit extension. The "cultural divide" within the NGO sector community is significant and exacerbated by the fact that, due to the economic situation, working for an NGO remains a source of employment for many rather than a mission.

The unprecedented international presence in BiH, itself a function of the war, has had both positive and negative effects on NGO sector development. In some cases, it has ensured that NGOs have received resources, training and technical assistance to establish themselves. In others, it has contributed to what observers describe as an "ownership gap." Organizations that have come together at the urging of expatriates or in response to the existence of international funding suffer from a weaker sense of mission and commitment than those who formed independently in response to community needs. Fluid donor priorities, diversity of funding cycles and unwillingness to fund core operational costs have bred confusion, inefficiency and short-term planning among NGOs.

Estimates of the number of active indigenous NGOs range from 250-500 with the discrepancy explained by inconsistent registration patterns and definitions of NGO activity. The organizational capacity and project interests of NGOs differ from organization to organization and region to region, with a greater concentration of project-oriented and institutionally developed NGOs in urban centers. Organizational and representative structures are nascent but developing, as is indigenous training capacity. An increasing number of organizations recognize their potential to effect socio-economic and political debate, public policy advocacy is rare.

LEGAL ENVIRONMENT: 5.0

Little substantive change has occurred over the past year in terms of improving the legal framework, although a lot of behind-the-scenes work took place and a breakthrough in this area will likely happen early in the next year. NGOs continue to operate under a confusing, fluid, and potentially restrictive array of laws including, inter alia, a Law on Humanitarian activities and Organizations, a Law on Citizen's Associations and a newly passed Law on Foundations and

Funds in the Federation, as well as a Law on Citizens Associations in the Republika Srpska. Regulations in the Entities are inconsistent and tend to create large scope for government involvement in the affairs of associations and foundations.

There is currently no law allowing NGOs to register and operate statewide; rather, Entities are conferred legal authority in this case. The strongest NGOs, however, have found creative ways to operate throughout the entire country by registering effectively as two separate organizations, but with the same founding documents such as the statute, act of incorporation and list of founding members. Bosnian civic leaders, the international community and many key government officials recognize the urgency of establishing a more enabling legal environment in BiH to allow the NGO sector to flourish.

A process involving Bosnian NGOs in drafting a new general legal framework resulted in a progressive draft law that, according to international legal experts, may be one of the best in the region. Comments from the Council of Europe have been incorporated in the text and relevant ministry officials, as well as the international community, are currently reviewing the draft before entering the legislative process. For the time being, however, Bosnian civil society is saddled with an outdated and confusing array of laws that de facto impede NGOs from registering and operating throughout the entire territory. Due to the restrictive and confusing legal framework, one Bosnian foundation decided to register in Switzerland and relocate as an international NGO rather than undergo the local registration process.

Critical questions still remain among the NGO community regarding allowable economic activities and the tax implications of current and new NGO legislation. NGO representatives note the inability under current law for corporations to provide tax-free contributions and rightly complain that such restrictions serve as impediments to the sustainability and strengthening of the NGO sector. Uncertainty and confusion about the current law governing associations and foundations in both Entities leave many civic leaders fearful of undue government intrusion in financial matters; NGOs often comment on frequent and intimidating visits by the “financial police.”

ORGANIZATIONAL CAPACITY: 4.5

Building the institutional capacity of local NGOs is one area in which international donors are beginning to focus more of their attention. Many organizations have become adept at implementing programs, largely defined by international community priorities, but remain institutionally weak and thus unsustainable in the absence of consistently high levels of donor support.

Institutional capacity in areas such as strategic planning, internal management structure, staffing, technical resource availability, and constituency building and outreach continue to vary greatly from organization to organization and region to region. Regionally, the strongest NGOs are located in Tuzla, Zenica, Sarajevo and Banja Luka, and Federation-based groups are significantly more viable than their counterparts in the Republika Srpska (RS). Sectorally, micro-credit and women’s organizations appear to be organizationally and financially strongest.

The stronger NGOs have boards of directors and executive staff, although few truly understand their respective roles. Some board members receive salaries, and once they understand the importance of a volunteer board, convert to full-time staff. NGOs therefore have difficulty maintaining a volunteer board or, in cases when board members remain volunteers, encouraging them to be active in the organization. Another problem is that the public perception of civil

society is generally unfavorable, so it is difficult for NGOs to recruit volunteer board members of high stature. In BiH, being a member of a local NGO board of directors is not an honor as in other countries where civil society is more advanced and widely respected.

FINANCIAL VIABILITY: 6.5

The war-time devastation of the BiH economy, a limited pre-war tradition of philanthropy, and the dearth of post-war tax incentives to promote financial contributions to emerging NGOs severely constrain the sector's financial sustainability. Community and corporate philanthropy remain extremely rare. As a result, NGOs continue to rely heavily on foreign government funding; fluid and often politically driven, donor priorities contribute to confusion and financial uncertainty among NGOs.

Many NGOs, particularly in more rural and under-served areas, lack skills in financial planning, accounting and financial management. Other NGOs that have received significant donor funds in the past, as well as financial training, are less in need of such basic skills. Identification of alternative financing methods such as membership fees, fees-for-service, in-kind contributions, and government funding, enable them to compensate for these constraints. Moreover, as a consequence of perceived political instability and uncertain international donor priorities, organizations tend to live from project to project with very few making long-term strategic or financial plans.

Finally, and partially as a result of funding availability, many NGOs have considered turning to income generation activities that have little to do with their broader mission – such as hairdressing and chicken farm management – to promote financial sustainability. In the absence of regulations governing the power of NGOs to engage in the sale of goods and services or limiting net revenue distribution, this tends to blur the distinction between not-for-profit and commercial business activity and exacerbate confusion about the concept of “civil society.”

ADVOCACY: 5.5

In the past, government agencies, while generally not openly hostile to NGOs, demonstrated little understanding of the merits of third sector activities. In addition, many NGOs were originally conceived as social service providers in the immediate post-war period and thus resist getting involved in more “political” matters such as the public policy process. The governmental and non-governmental sectors, therefore, tend to work in a parallel rather than an integrated manner, undermining NGO capacity to influence policy-making or efficiently complement the public sector.

Moreover, the concept of advocacy is difficult to adapt to and implement in an environment in which neither the political or legal systems enforce the accountability of elective or appointive representative structures. Civic leaders are sometimes alienated from elected officials and, due to overwhelming outside influence in BiH, often target lobbying efforts toward the international community in order to affect policy change.

Despite the barriers to active involvement in the public policy process, there is increasing evidence of NGOs forming issue-based coalitions, conducting advocacy campaigns and communicating with policy makers. One recent example is a coalition of local NGOs that formed and pressured the Entity and Cantonal governments to pay women previously unpaid maternity leave benefits. Moreover, in a recent meeting facilitated by one international organization, committee chairs in the Federation House of Representatives made plans to gather contact

information for all NGOs working in fields relevant to their committee's work. Increasingly, government officials see NGOs not as a threat but as a resource, and civic leaders understand their role and potential to influence local and national policy. There is, however, still a long way to go in this regard.

SERVICE PROVISION: 5.0

Because most Bosnian NGOs were originally formed to provide for the immediate post-war needs of the local population, they are perhaps strongest in their ability to deliver critical services. Local NGOs provide a broad range of services, including education, health and micro-credit, but with a strong emphasis on the return and rehabilitation of refugees and internally displaced persons. Even during the past year, in an environment of greatly reduced international funding, smaller service NGOs have sprung up in remote and previously neglected areas.

While Bosnian NGOs seem strong in their capacity to deliver services, this only highlights the government's inability to provide such services itself. As government officials at all levels are divided, prone to infighting and inaction, NGOs have helped to step in where the government has largely abdicated responsibility. At the same time, there is a continued lack of trust and understanding on the part of the government in civil society, although this seems to be improving the more contact ministry officials have with civic actors.

INFRASTRUCTURE: 5.0

Numerous international organizations provide training to NGOs via group seminars or workshops. Indigenous training – considered both more relevant and efficient – is widely perceived as preferable to ongoing expatriate-led training. In the past there has been a dearth of capable Bosnian NGO management trainers. However, internationally sponsored programs (such as USAID's Democracy Network) have recently trained teams of NGO management consultants. This has filled a huge void in the country and responds to a need, noted by the fact that numerous international donors have offered to hire on a fee-for-service basis BiH's new cadre of management trainers.

Bosnian civil society is still in great need for centers to provide access to information and technology. The OSCE maintains numerous democracy support centers around the country, which may be used as resources for NGOs. Recent efforts to turn these support centers entirely over to Bosnians and register them as a single NGO have in large part succeeded. It remains to be seen whether these centers will receive adequate training and capacity-building to serve the vital needs of the sector in the future.

NGOs are still fairly isolated from one another and generally rely on the few opportunities sponsored by international donors to establish and strengthen ties, particularly across the two Entities. Over the past year, several cross-Entity coalitions have formed to encourage two-way refugee return. A smaller number of NGOs have an established office in both Entities, working on issues including human rights, women's issues and democracy-building, but the legal framework continues to make this difficult.

PUBLIC IMAGE: 5.0

Few NGO leaders view their own sustainability as “a multi-stakeholder process,” or a process from which the community as a whole benefits. Successful examples of cross-sectoral cooperation are unpublicized and therefore go largely unrecognized.

The sector’s youth, the relative inexperience of its leaders, and the dearth of financially sustainable independent media have inhibited the evolution of a partnership between NGOs and the media. While there has been some improvement over the past year in the interactions between the media and NGOs, local organizations still do not know how to sell their vision or program activities to a wider audience. Many NGOs draft press releases or invite the press to events without sufficiently drawing the media’s attention.

Rather than hostility, the sector as a whole faces ignorance and some resentment from government, the media and the public due to the perception that it is well financed by the international community. NGOs, however, increasingly recognize the importance of their public image and are seeking assistance in making use of their existing contact base. An ongoing constraint is a lack of codes of conduct for the sector as a whole.

BULGARIA
NGO Sustainability Index
1999

OVERALL RANKING: 4.0

The Bulgarian civil society sector is comprised of approximately 8,000 organizations including political parties and religious organizations. About half of these are “Chitalishta”, traditional Bulgarian educational and cultural organizations. Most currently provide a very limited scope of activities. Further analysis indicates that there are less than 1,000 active civil society organizations, excluding “Chitalishta”.

Most Bulgarian NGOs are experiencing financial difficulties, and are extremely dependent upon foreign funding. The ability to raise funds domestically remains constrained. Most organizations are project-driven, and links to constituents are often missing. The public image of NGOs is often low, although more positive at local levels. There is often a lack of coordination and a limited capacity to form networks. Still, NGOs are quite active in advocacy on particular issues, and are constantly improving their relations with central and local government. Support organizations are beginning to emerge that provide services to the sector. It is expected that a basic NGO law will be adopted by the end of the year, which will clarify the ambiguities in NGO status. This will be the first step in changing the entire NGO legal environment, and will open the way for changes in tax legislation to improve prospects for NGO sustainability.

LEGAL ENVIRONMENT: 4.5

The past year witnessed the introduction of three NGO law drafts into parliament. The introduction of these three drafts, particularly the provisions for government control, stimulated the NGO sector to organize initiatives against some of these provisions. A total of 391 NGOs supported this coordinated action. Currently a Parliamentary working group on NGO law is preparing a unified draft to be introduced for a first reading by the end of the year.

Current NGO legislation dates back to 1949. The law contains a number of gaps, ambiguities and restrictive provisions including: involvement of the public prosecutor in the registration process, absence of minimum requirements for internal governance of foundations, and confusion over the extent to which NGOs may engage in economic activities. Registration may be quite complicated, depending upon the legal form. Current legislation contains provisions for state control, and there are no mechanisms for defense. Fortunately, these mechanisms have not been applied, so far. There are tax exemptions for some types of NGOs, but as a whole tax legislation is not favorable for NGO sustainability. Legislation was passed recently to allow NGOs to be subjects of government contracts.

ORGANIZATIONAL CAPACITY: 3.5

A small core of strong and influential NGOs exists in Sofia, with some strong NGOs emerging around the country. Still, most NGOs are comprised of small groups of people, surviving on a project-by-project basis, and with missing or fragile links to constituencies. The law defines the internal management structure of NGOs, with a clear division between staff and members. NGOs

employ permanent staff, and have some success attracting volunteers. Although NGOs declare their missions at registration, the mission statements are often too broad and quickly become outdated.

NGOs do not often undertake a detailed planning process, because they are dependent on international donor funding and are responding to the goals as stated by the donors. Most NGOs do not have a regular mechanism for analysis of constituents needs. NGOs are generally only able to obtain modern office equipment on a project-by-project basis, because their resources are limited. They are heavily dependent on donors' willingness to fund such equipment. There remains a great need for tailored training programs that meet individual NGOs organizational capacity needs and to encourage constituency building.

FINANCIAL VIABILITY: 5.5

The financial viability of the NGO sector as a whole remains extremely low, with the exception of some strong NGOs mainly in the capital. Many of the smaller NGOs are entirely dependent on international donor funding. There is a great deal of pessimism about alternative funding sources. There are very few examples of attracting local business support. Although some organizations collect membership fees and charge for their services, the income generated by such activities is extremely small due to the overall poverty of the community.

ADVOCACY: 3.0

NGOs are becoming increasingly aware of the need to engage in advocacy activities. They are gradually gaining seats on important policy-making committees, although there is no formal mechanism for NGO input into law-making activities. Often receptivity to NGO input is dependent upon the good will of particular lawmakers. Coalitions are not stable, and tend to form only around certain pending issues. Still, NGOs are quite successful in forming issue-based coalitions and are active in promoting legal reform. One example is the campaign "PRO" for new NGO legislation, which was supported by 400 NGOs throughout the country.

SERVICE PROVISION: 4.0

Some of the sectors are not well covered with regard to services provided, such as the social sector. In other sectors, however, NGOs offer a great variety of service, though they generally reflect the strategies of international donors. There are diversified publications, workshops and expert analysis offered to the NGO community. Opportunities are emerging for NGOs to take up services previously provided by the state, as the state withdraws from some sectors. Although some NGOs charge for their services, the cost recovery is extremely limited due to the overall poverty of client organizations

INFRASTRUCTURE: 3.0

A number of resource and information centers are located throughout the country. Most provide a limited scope of services. These centers are generally successful in attracting some income from locally generated sources. Intermediary Support Organizations are a special focus of the USAID Democracy Network Program, and are beginning to emerge. NGO networks are functioning in a number of individual sectors. Training services still concentrate primarily on developing the knowledge of individuals rather than of organizations, but diverse training opportunities are available. Inter-sectoral partnerships are generally issue based.

PUBLIC IMAGE: 4.5

As a whole, NGOs are underrepresented in the media. They enjoy some positive media coverage at the local levels, as Bulgarian national media are largely focused on political issues. Although some NGOs try to operate transparently and try to attract public attention, most NGOs do not understand the necessity of appropriate media presentation. In general, the public is not well informed about NGO activities, and more often than not has a negative perception of NGOs. NGOs are, however, recognized by government institutions and are increasingly consulted on a number of issues. Relations with the media are constantly developing, and special features targeted at the role of NGOs and their activities are already emerging on Bulgarian radio and television.

CROATIA
NGO Sustainability Index
1999

TOTAL OVERALL RATING: 5

According to the Government Office for NGOs there are 16,305 registered NGOs in Croatia, of which 15,000 are registered locally (municipality and county level) and 1,305 are registered and are working at the national level. The number of those that are active is significantly lower (approximately 1000). Moreover, there are also 38 registered foundations.

Croatian NGOs have been greatly affected by the difficult economic and political circumstances in their country. The weakened economy is having a significant impact on their financial sustainability. The overall legislative environment does not support most NGOs, especially with regard to association development and tax and fiscal laws. Despite this unfavorable environment, Croatian NGOs are becoming more successful in their advocacy activities, organizing campaigns within and across sectors. Some NGOs have banded together for a "get out the vote" campaign under the GLAS 99 campaign (Glas meaning "vote" or "voice" in Croatian). Other NGOs are making progress in their relationship with the media as a means of improving their image and publicizing issues that are important to them.

The Croatian Government is becoming more open to considering the importance of NGOs and their contribution to the social services sectors, and local governments in larger cities are more willing to cooperate with service oriented NGOs. Additionally, in November 1998 the Government of Croatia established the Government Office for NGOs, whose role is to establish trust and cooperation between the Government of the Republic of Croatia and non-governmental organizations, as one of the key precondition for development and modernization of civil society in Croatia. This has contributed to a better understanding of the added value of NGOs to the community. In 1999 the government approved approximately \$ 4 million to support NGO development through competitive grants. Nonetheless, many NGOs still feel that the GOC's attitude towards NGOs remains rather negative, especially towards human rights, peace and women's groups. During the last year, the corporate sector has started to express more support for NGOs; for example, the Zagrebacka Banka, Croatia's largest commercial bank, recently organized an open competition for NGO grants.

LEGAL ENVIRONMENT: 6

The overall legislative environment in Croatia remains unsupportive of the sector, particularly concerning association development and tax and fiscal laws. As described in last year's Index, the new Law on Associations that came into effect in July 1997 is quite restrictive, and allows for undue government involvement in NGO activities. This law, along with current accounting regulations permits possible interference of the government into NGOs internal management. The government's practice of auditing NGOs is not uniform, and financial measures (audit) can be used to intimidate NGOs. In practice, however, the financial police (the local IRS) audited only a few NGOs over the past year.

The government and political elite have been critical of human rights and peace NGOs, media NGOs, women's NGOs, and labor union organizations. In the media, the GOC has tried to portray NGOs as organizations that act against the national interest. Restrictions still exist related to public gatherings and especially affect labor unions that gather and assemble for peaceful protest.

Mandatory re-registration was initially a very problematic process for NGOs, under new law, but over the past year has improved considerably with regard to length of time needed for application reviews. Few NGOs now have problems with registration procedures, although there remains heightened government sensitivity about NGOs that are involved in educational activities and counseling. Problems arise regarding the legal definition of NGOs and how they present themselves and describe their programs and their objectives when submitting registration papers. Therefore, more often NGOs have problems registering due to administrative and bureaucratic reasons.

A few NGOs are specialized in understanding legislation affecting not-for-profit organizations and are able to provide limited legal assistance (i.e., CERANEO, Croatian Law Center, B.a.B.e.). All are based in the capital; thus NGOs operating outside of the capital have limited access. There is a general lack of professionals in the field of not-for-profit legislation. It is not highly regarded and a legal specialization.

Croatian tax legislation does not generally encourage philanthropy and not-for-profit activities for a broader number of NGOs. Croatian NGOs do not pay income taxes on grants or gifts used to finance their nonprofit activities. They are fully taxed on economic activities, except they may have a limited exemption from VAT for non-regular activities generating less than \$ 11,500 for donations. They receive import tax exemptions on donations of humanitarian supplies as well. Individual and corporate donors may only deduct gifts to sport organizations and free-lance artists. There is still limited awareness about the need to support philanthropy.

Although local authorities are becoming more aware of possible opening towards NGOs providing services, they still do not have a mechanism that would enable NGOs to compete for government contracts/procurements. The only exception is related to organizations that operate in the area of social services, although this is still an uncommon practice.

ORGANIZATIONAL CAPACITY: 4

While NGOs that have received funding from foreign donors continue to improve their organizational operations, the experiences of NGOs varies by location, nature, and their relationship to foreign donors -- that often require NGOs receiving assistance to implement expected organizational structures and operational plans. Most well developed NGOs are well equipped with up to date computer equipment, fax machines and Internet e-mail systems. Many of these regularly use local electronic network called "ZaMir" (ForPeace).

The strongest NGOs have clearly defined mission statements, especially within the sub-sectors of peace and human rights, women's issues, social services and environmental protection. Many of them have exercised strategic planning sessions and have built solid organizational structures. This is not common for grassroots NGOs that often rely on one NGO leader.

Most NGOs now have established management structures that distinguish between staff, volunteers, and others who are members of a supervisory or a managing board. Occasionally, such structures exist on paper and are not sufficiently utilized. There is a need for improvement of

management “systems,” empowerment of team members, and defining their roles and responsibilities. Most NGOs have an average of one to three permanent employees. Generally, payroll taxes are an impediment for NGOs. Thus many are understaffed. In order to reduce such expenditures, NGOs have a practice of hiring part-time employees. Volunteerism is not broadly practiced in Croatia. Because part-time help is sought, people often hold more than one job to supplement their income.

One of the weakest areas of Croatian NGO development remains in the area of constituency building, which is little understood by many Croatian NGOs. Over the past year, some are becoming aware of a need to build and improve on communications with their constituency as for example environmental NGOs.

FINANCIAL VIABILITY: 6

NGOs in Croatia remain in a very precarious financial situation, compounded by a recent downturn in the local economy. As such, many NGOs do not have diversified funding sources, and NGOs have instead been trying to cultivate a loyal core of international donors. The GOC has mostly supported GONGOs (Government NGOs), until 1998 when it run its first ever open competition for NGOs. In 1999, the GOC earmarked \$ 7 million for NGOs operating at the national level. Local authorities are also becoming more open to supporting NGOs' activities, through in-kind contributions or small grants. Such efforts illustrate that new funding opportunities are emerging for some NGOs. Philanthropy is still an uncommon practice and the current tax law does not promote charitable donations. Local businesses rarely support NGOs, although there is some opening in this regard. For example, the Zagrebacka Banka, Croatia's largest commercial bank, recently organized an open competition for NGO grants.

Revenue raising by NGOs remains limited. Some NGOs that collect dues, although the revenue generated is still quite small. Few NGOs generate income through provision of services.

ADVOCACY: 4

While donors have encouraged advocacy for several years, only recently have NGOs begun to approach advocacy actions in a strategic manner. Croatian NGOs have been effective in organizing several coalitions and campaigns focusing on the following: Law on Associations, Stop Violence Against Women, Election Monitoring, Get-out-the-Vote, and environmental campaigns. There is evident progress in public advocacy initiatives.

NGOs are becoming more active and effective in their political lobbying, particularly in the areas of women's rights, environmental protection and election monitoring. A team of advocacy trainers has been successful in organizing several training programs for NGO and municipal leaders. However, communication between NGOs and policy makers is at a very incipient stage. An important attempt has been made with the 1998 establishment of the Government's Office for NGOs, which has started to open communications at the national and local levels. For the first time, NGO activists were included in the new Law on Associations drafting committee.

SERVICE PROVISION: 5

Overall, The concept of NGOs playing the role of a service provider is limited to the areas of human rights, psychosocial issues, women, health, anti-drugs, youth and environmental organizations. The number of NGOs that provide services in the area of economic development, governance or even water and energy is small. Generally, NGOs rarely produce goods, and are

generally not able to cover costs of services. The difficult economic situation in Croatia limits NGOs' ability to better market their services.

Another reason for NGOs limited role in service provision is that there tends to be a contradiction between the priorities of the donors and community needs. Often NGOs are pushed to address the requirements of donors and consequently ignore community needs. The concept of developing community services is still unknown to many NGOs. Although there is more interest and awareness, there are cases when NGOs are involved in activities that are not favored by their community such as refugee return projects (human rights).

NGOs that do provide services often provide them to a broad constituency, i.e., women, minority population, youth, children. Also, they have started to be more proactive in marketing their services to other NGOs, local governments, and their communities. Their cooperation with academia, churches and central government is in the early stages.

Indeed, both the national and local governments are becoming more aware of the non-profit sector and services offered. Slowly they have started to provide grants or in-kind contributions (office space), critical for NGOs to become less reliant on foreign donors. The role of the recently established Government Office for NGOs is very promising since they have started to build linkages between the non-profit sector and national/local government. There is some opening in the area of social welfare and education services.

INFRASTRUCTURE: 4

An infrastructure to support NGOs is slowly developing in Croatia. However, there is only one formal NGO Resource Center, Ceraneo, in the capital city, that provides support regarding registration, legislation, taxation, financial management, data base research, fund raising and research. However, some more developed NGOs are supporting the development of smaller grassroots NGOs especially through their sectoral networks, (i.e. environmental, peace and human rights, and women's NGOs). The number of local intermediary support organizations is very limited and none of them provide grants to local NGOs. Their support is limited to provision of technical assistance and in some cases, research resource libraries (i.e., the Women's Resource Center, the Center for Women's Studies).

The most notable strength in Croatia's NGO infrastructure is the significant sharing of information among NGOs, especially environmental, women's, peace groups and unions. Recently, NGOs have organized themselves into several coalitions focused on elections, most notably, the Women's Ad-Hoc Coalition, an environmental coalition, Glass 99 (Vote/Voice), Uno 99 (focused on youth) and Mediteraneo. Many other networks, i.e. Green Forum, Women's Network, Coordination of Human Rights and Peace Groups, are very loose, since their members have not been interested in formalizing them.

Another positive development is that the number of qualified local NGO trainers in the area of NGO management and organizational development has increased over the past year. Trainers are now available in both the capital and secondary cities. With donors' support, a few training organizations have even been established. However, often training is basic and there is a need for more advanced programs which are not always available in the country. There is a lack of literature on NGO management in the Croatian language. Unfortunately, most training materials are in English or other foreign languages.

Finally, there is an evident opening towards government partnerships with NGOs. Local

governments in bigger cities (Split, Rijeka, Pula) have become interested in working with NGOs. The media is also becoming more interested in the activities of the non-profit sector. The recent opening of the GOC's NGO Liaison Office and NGO sector's willingness to cooperate in partnership is key.

PUBLIC IMAGE: 4

The Croatian public has a limited understanding of the non-profit sector, and has therefore not been very supportive of NGO activities. Many perceive NGOs as anti-government organizations because of how the media has portrayed human rights, peace or women's groups. Some Members of Parliament have supported this view. The public has been more open towards environmental and other NGOs, which are not involved in politically sensitive issues.

Although media outlets are inconsistent in reporting on NGO developments, there is some progress in this area. Local media is more open and interested in the non-profit sector's activities than national media is. In Croatia, television has a tendency to provide negative coverage on NGOs, especially in political programs. Radio stations often are supportive of civic initiatives. NGO leaders are partly responsible for the portrayal of NGOs since many of them still do not use media sufficiently to promote their activities.

Nonetheless, in general, NGOs are becoming more open and effective in their communication with media. Regular contacts with some journalists have been established, although some media outlets are still closed to the NGO scene. In order to promote NGOs in the media, it will be critical that NGOs develop their media strategy and improve media skills of their activists.

GEORGIA
NGO Sustainability Index
1999

OVERALL RANKING: 4

In general, Georgian NGOs have begun the second stage of their development. Following a recent re-registration process, there are approximately 1,500 active non-governmental organizations in Georgia. Many new organizations are continually being founded. Further assistance in management and development issues and one-on-one consultation remains a major need, particularly in the regions outside of Tbilisi, the capital. The current law, while generally good, does not provide a comprehensive description of the process of registration and improvements to the current tax treatment of NGOs and charitable contributions is necessary.

LEGAL ENVIRONMENT: 3.5

Over the past two years, Georgian NGOs, foundations and unions have had to re-register under the Civil Code of Georgia. This process of re-registration, which ended on September 1, 1999, has decreased the total number of NGOs in comparison to the number of organizations existing before the initiation of process on November 25, 1997. A small number of highly developed organizations are able to provide highly qualified legal consulting services on NGO issues in the capital of the country. Such services are also available in a number of the regions and in the large towns of western Georgia. Existing legislation exempts certain types of income from taxation: i.e. grants, member fees, private donations. Though the law does not limit donations, it does not provide mechanisms for the deduction of charitable contributions.

The law does not provide a comprehensive description of the process of registration. This allows the court to give different interpretations of the law, and can create additional artificial barriers during the submission of registration documents. While there are no mechanisms that allow the direct intrusion of the State into the activities of NGOs, the ambiguity of several articles of the Law allows the government to limit or cancel the activities of an NGO. NGOs that carry out commercial activities are treated as commercial structures and are taxed as such.

ORGANIZATIONAL CAPACITY: 3.5

The most highly developed NGOs, both in the capital and in the regions, have strategic plans and mission statements, paid professional staff, and access to modern office equipment. Most have or own a well supplied office with at least one computer, fax/modem and Internet access. Many NGOs are capable of augmenting their staff with volunteer labor, though the Labor Code of Georgia lacks any norms for volunteers and prohibits legal actors to have such volunteers. As a result of international donor-sponsored training, even emerging NGOs, though primarily in the capital, are capable of establishing strategic plans and mission statements.

With the exception of the most advanced organizations, the majority of Georgian NGOs do not have active operating governing boards. Staff generally exercises the functions normally performed by a Board of Directors. Some of the most highly developed organizations, however,

are capable of maintaining an active governing board, but their further development remains a necessity. Most NGOs have lost (or never had) contacts with their local populations.

FINANCIAL VIABILITY: 4.5

Only the most highly developed NGOs have access to alternative sources of funding. The financial sustainability of the majority of NGOs is yet to be secured. Only 10% of Georgian NGOs have managed to raise funds from local resources, generally equally divided among government, business and private donations.

Most NGOs lack sophisticated financial management systems and financial strategies. The basic principles of financial management are generally limited to the governing of funded projects and developing reports for donors. Charitable activities are not supported by current legislation, and therefore only a small number of business organizations and individuals are interested in such activities. Another serious constraint to local fundraising is the virtual absence of a middle class in Georgia.

ADVOCACY: 3.5

There are few instances of direct contact between NGOs and active political organizations, but as a result of donor supported training, advocacy skills are developing. NGOs are beginning to form interest-based coalitions. For example, approximately 20 NGOs for the disabled have united to lobby for certain legal privileges for the disabled. They have organized protest actions, including hunger strikes, and have achieved many of the changes in legislation that they sought. Similar coalitions of youth NGOs and others have been formed.

Relations between NGOs and the government and political elite are in the beginning stages and require further development. Although a law regulating lobbying activities already exists in Georgia, there appear to be no NGOs registered as lobbying or interest groups. This can be attributed, in part, to the absence of lobbying traditions in Georgia.

SERVICE PROVISION: 4

Progress: Georgian NGOs provide service in such fields as: health care, education, economy and business, social employment, environment protection and others. NGOs offer different types of consulting to citizens as well as to governmental, commercial and non-governmental organizations. At the same time a number of NGOs create their own products and offer them to the consumer, for example: different publications (directories, magazines, books, etc.) and audio-video production (TV and radio broadcasting NGOs). The amount of money raised from providing different kinds of services and products, however, covers only 10-20% of a typical NGOs' annual budget. The stronger and more developed NGOs in Georgia are well aware of the needs of the population they serve. As a rule, state government officials understand the value of the work of NGOs and have funded their initiatives (e.g. the Ministry of Health Care, Ministry of Environment and Natural Resources, etc). Several governmental structures have signed contracts with local NGOs and have financed their activities.

Constraints: Generally, local governments are not highly supportive or aware of NGOs and their role in the development of the civic society in Georgia. Local governments trend to be financially very weak. Georgian legislation does not differentiate between mutual benefit and self-benefit organizations, though both types of organizations exist.

INFRASTRUCTURE: 3.5

Progress: Georgian NGOs do not generally have strong networks, with the exception of the Third Sector Foundation Horizonti, ICP, CIPDD, ICRDGE, and the Association of Young Lawyers. There are number of NGO resource centers and Intermediary Support Organizations (ISOs) operating in Georgia that can provide NGOs with training-seminars, consultations, and distributing special literature and information among NGOs. NGOs have participated jointly with the media in activities such as protecting human rights and the environment. Training is available from both Georgian and foreign NGOs on subjects including: NGO philosophy and its importance (an introductory course for beginning NGOs), strategic planning, financial management and accounting, NGO structure, fund raising, and board development. There is very little management literature available in the Georgian language.

PUBLIC IMAGE: 4

The large proportion of the general public is moderately knowledgeable about the Third Sector. The intellectual portion of society tends to be better informed about the activities of NGOs than the general population. That part of population that is aware of the concrete projects of NGOs and the practical achievements of their activities has a positive attitude about the Third Sector. Progressive thinking businessmen and reform-minded officials in government tend to appreciate the activities of NGOs in the establishment of free-market economic principles and liberal-democratic values in Georgia.

There is a little participation on the part of the majority of the population in activities of the Georgian Third Sector.

HUNGARY
NGO Sustainability Index
1999

OVERALL RATING: 2.1

Hungarian NGOs have proven themselves very capable of creating and implementing innovative programs in a number of fields. There is no shortage of NGOs in Hungary: there are almost 50,000 by some counts, although estimates of “functioning” organizations put this number closer to about 20,000. There will likely be some degree of consolidation in the future as the sector matures and stabilizes.

Some of the most important challenges to the sector are the strengthening of organizations’ socio-economic legitimacy, the discovery and fulfilling of social service functional roles, and improvement of both intra- and inter-sectoral cooperation. Cooperation with other sectors must become better organized and the number of informal factors decreased. This cooperation is important in the quest for local sources to build sustainability in the long run. Simultaneously, professional attitudes and self-sustainability must be promoted. Toward this end, improvements in inter-organizational and nationwide communication are necessary, and organizations need assistance in participating more actively in civil advocacy and in local and national decision-making processes.

Regarding the future of the sector, it is likely that the “civil” organizations (the traditional civil society, grassroots membership NGOs, hobby circles and associations) will separate themselves even further from so-called “non-profit” organizations, which as professional organizations perform a service role. The latter must be woven into the societal and economic fabric through continued development of quality services.

Vulnerabilities exist in a number of areas. Regional differences are very pronounced in Hungary, measured by dramatically divergent investment patterns, unemployment rates, and per capita GDP. NGO development very much mirrors economic development. This presents a great challenge, namely that in those regions where needs are objectively the greatest, indigenous resources for NGOs are the scarcest. Another area of great concern is those problems facing the Roma community. It is in these two areas where international donors will need to play an important role in the development of the Hungarian NGO sector.

LEGAL ENVIRONMENT: 1

The legal environment in which non-profit organizations operate in Hungary has improved substantially in recent years. The Government of Hungary (GOH) enacted comprehensive NGO legislation in December 1997, which lays out financial and reporting criteria, and seeks to remove inactive NGOs from the official registry. This legislation will improve transparency, and offers several benefits to non-profits, including the opportunity to compete for public procurement at the local and regional levels, especially in the areas of social services.

Long-term benefits of the legislation will likely include a gradual improvement in the credibility of the sector by citizens. Currently there is some degree of skepticism as NGOs have been used as tax-dodges in the past. The GOH has also enacted so-called “One Percent legislation”, which allows citizens to designate a registered NGO to which one percent of income tax will be

transferred. While there have been some difficulties encountered at the beginnings of the program, steady improvements have been made. This legislation has also helped NGOs to realize the benefits of reaching out to their local communities, and increases the exposure of the sector in general.

Areas of concern revolve largely around the methods the GOH uses to distribute resources to NGOs. Issues of transparency are often noted in regards to the NGO funding programs run by the various ministries, although it must be noted, this is a problem hardly unique to Hungary or even this region. In regards to the One-Percent Law, NGOs are unable to find out which citizens have selected them for funding, which makes it difficult for them to thank and further involve donors.

ORGANIZATIONAL CAPACITY: 2

Organizational capacity, as measured purely in number and variety of NGOs, is strong. Currently, there are between 40,000 - 50,000 legally registered NGOs. Until now, however, there has been no way or incentive to unregister a NGO, so no one knows exactly how many are truly active. In examining how professionally these organizations actually function, the picture is more blurred. Certainly the situation has improved in the last years, due in no small part to the many training programs offered by foreign donors. The quality and innovativeness of proposals, in particular, have showed marked improvement.

Weaknesses are present in areas such as reporting, strategic management, and public relations. The degree of these weaknesses are very much dependent on sector and region. Environmental NGOs, for example, have become among the most professional, as they have been in existence the longest in Hungary. Very often, NGO personnel do not speak the same language as business and government leaders. This may be in part a consequence of providing segregated training solely for NGO people. NGOs outside of Budapest, especially those in the economically depressed eastern region of Hungary, have far greater needs in organizational capacity. This is also largely a function of financial viability.

FINANCIAL VIABILITY: 2.5

Approximately 60% of NGO resources in Hungary come from revenues from basic or related activities, which suggests that NGOs have developed the beginnings of a core base of support. Hungarian NGOs are still in the beginning stages of approaching commercial and corporate sponsors. For some NGOs, this is seen not a viable strategy at this point in time, particularly in disadvantaged regions where companies often do not have resources to spare. The "One Percent Law" will eventually help NGOs to develop stronger ties to their local communities as well as providing financial support. NGOs in Budapest and environs have proven to be quite successful in capturing funds from ministries, foreign donors, and multinational corporations.

Financial viability is very much a function of regional distribution. Although Budapest is the seat of only one-third of Hungarian NGOs, these NGOs have two-thirds of all the sector's resources. Unfortunately, the greatest needs are actually outside of the capital city, which has a per capita GDP double the nation as a whole. There is great concern in the NGO community about the withdrawal of foreign donors, and the effect this will have on institutional stability. It would be early to call the Hungarian NGO sector as a whole "sustainable": There will be some degree of consolidation both because of the new NGO law, and because foreign donors are shifting resources to other countries. Important areas are particularly vulnerable, especially those NGOs providing innovative social and educational services in poorer regions. Corporate citizenship is

not well developed, especially among indigenous companies, although it is hoped this will improve with the economy.

ADVOCACY: 1.5

The most prominent example of the NGO sector as public policy advocates on the national level was their active participation in the regional debates prior to passage of the comprehensive NGO legislation, culminating with the ultimate passage of the legislation. NGOs have been actively involved in advocating for employment possibilities for those with disabilities, culminating in a substantial effort by the Labor Ministry towards this goal. Environmental non-profit organizations have arguably run the best organized and most professional advocacy efforts nationwide.

Although the number of NGOs engaged in advocacy increased from 5,061 in 1993 to 6,500 in 1997, the weakest element of the activity of NGOs in their local communities remains their effectiveness as advocates. The concept of advocacy in the context of local governance and how it differs from basic organizational development is not yet well defined. It is hoped that the procurement possibilities provided under the new non-profit legislation will create opportunities for NGOs to become more active in decision-making processes at the local level.

SERVICE PROVISION: 2.5

Direct provision of services provides perhaps the best opportunity for NGOs to connect with their communities. Currently NGOs are able to generate about 60% of their resources from services provided, and this proportion is likely to grow as foreign donors reduce funding levels. Local governments and the national government do provide a number of opportunities for normative support, normally of niche social services to those with special needs.

Local governments are still very wary of giving funding to NGOs to provide services municipalities are legally mandated to provide. This is not likely to change in the near future. A complicating issue is the fact that contracts signed by a municipal government and NGOs on services are usually thrown out following each election cycle.

INFRASTRUCTURE: 2.5

The Hungarian non-profit sector has reached the point of maturity where a strong cadre of well-trained professionals exists to service the sector, although it is rare that an NGO can actually afford to pay for such services. The GOH recently began building up its network of Civic Houses, based in larger towns across Hungary, although it remains questionable what services these will actually provide to the local NGO community.

A certain degree of currently existing institutional infrastructure designed to support the non-profit sector is supply driven, and will not be sustainable without foreign funding.

PUBLIC IMAGE: 2.0

The impacts of the One-Percent Law and the new NGO law will primarily be felt only over the long-term, but one change has been rather immediate: NGOs have begun to undertake concentrated efforts to inform their local communities of their activities. The fact that the One-Percent Law has proven to be rather popular with the public at large suggests that perceptions are generally improving. As people begin to read more stories about the vast majority of NGOs that

do good work, and less about the sensational cases when NGOs have been used as tax dodges, the public image of the non-profit sector will improve.

As previously stated, the Hungarian non-profit sector has suffered for some time from a popular perception that NGOs are a convenient way of hiding money from tax officials. This has caused a wariness and skepticism among the public, which can be healthy, but which also makes it difficult for worthy grassroots organizations to find financial support. The true test of the public image of NGOs will be measured by levels of individual (not institutional), indigenous support through contributions and volunteerism.

KAZAKHSTAN
NGO Sustainability Index
1999

OVERALL RATING: 4.8

Over the last year, the desire of NGOs to become a political force in Kazakhstan has increased significantly. Most NGOs continue to lack the capacity to become such a force. With the exception of a few organizations, most NGOs have neither large constituencies nor large membership bases. In addition, most lack a rigorous and democratic governance structure.

More than 3,500 NGOs are officially registered in Kazakhstan, but according to the database kept by USAID grantee Counterpart Consortium, only about 671 NGOs can be considered active. Many of the other officially registered NGOs undertake very little activity, or they are quasi NGOs created by government agencies (GONGOs).

The NGO community is diverse, but there are certain types of NGOs that are more developed and more effective. Ecological groups tend to be strong since they were some of the first groups developed in the country. Recently, some of them have begun work in supporting other NGOs by opening resource centers, etc. The consumer rights groups are also quite strong and financially sustainable. While there are a handful of strong human rights groups, they do not have large memberships, though strong leaders represent them. There are also a number of strong professional associations as well as a strong housing association movement. Other groups of note include the network of Business Women's Associations and the many associations of the disabled as well as the pensioners' organization "Pokolenie" which is likely the most effective advocacy group in the country.

While the NGO sector is growing, the geographical map of NGOs gives a very unbalanced picture: most (60-70%) strong NGOs are located in the former capital city, Almaty, while in some areas of the country, such as the west, the NGO sector is virtually non-existent. There has been improvement in this regard over the last year, however, through the outreach activities of NGO resource centers outside Almaty. The legal environment does not encourage either NGO commercial non-profit activity or corporate giving, but a working group drafting new legislation was formed this year and includes both parliamentarians and NGOs.

LEGAL ENVIRONMENT: 5

Presently, NGOs can easily register in Kazakhstan and operate without undue difficulties, but the cost of registration is often prohibitive for young, less developed organizations. Last year administrative penalties were given to people who attended a non-sanctioned meeting, but this was done not to prevent the forming of an NGO, but rather to prevent a certain opposition personality from running for president. With increased involvement of NGOs in the parliamentary elections this year, some NGOs have been harassed in regions outside Almaty and Astana where international organizations have less presence.

The present law does not offer tax benefits, with the exception of grants from international organizations not being taxed, and does not clearly delineate legal forms of NGOs. Outside Almaty and Astana, many NGOs are also subject to harassment by the tax authorities concerning grants from international organization. NGOs are not allowed legally to compete for government contracts/procurements at either the local or the central levels. A working group of parliamentarians and NGOs is working on drafting a new law, and several legal NGOs broadly familiar with the rights of NGOs exist.

ORGANIZATIONAL CAPACITY: 4.5

While the older Kazakhstani NGOs are becoming more mature in their organizational capacity, almost all of the NGOs in the country lack a well-defined governmental structure and membership base. The majority of stronger NGOs have a small core staff, but they lack significant volunteer bases and any kind of democratic structure for members to take part in decision making. Most NGOs lack a strong and developed constituency, but a few NGOs, such as the pensioners' group "Pokolenie," have developed very active constituencies that strengthen their ability to advocate. While many resources exist for NGOs in a handful of cities in Kazakhstan, much of the country lacks accessible technology.

FINANCIAL VIABILITY: 5.5

Most NGOs have yet to tap local philanthropic resources, and no legislation promotes philanthropic activities. A few of the stronger Kazakhstani NGOs have found ways to fundraise, particularly in getting "in-kind" support from local government. The majority of NGOs in Kazakhstan, with the exception of GONGOs, remain almost entirely dependent upon grants from foreign donors. Few NGOs have good financial management systems that would allow them to implement significant projects for foreign donors or the host government. Nonetheless, there have been successful corporate challenge grants between NGOs and businesses. For example, local NGO Shiber Aul (A Village of Artisans), with assistance from Aid-to-Artisans, a member of the USAID-funded Counterpart Consortium, raised approximately \$100,000 from Texaco to build artisans' craftshops and a teashop. The Counterpart Consortium then leveraged this funding with a grant of approximately \$10,000 grant.

ADVOCACY: 4.5

Kazakhstani NGOs are becoming increasingly active in advocacy activities. Some have forged good relations with government locally and nationally. For example, the Taraz Association of Diabetics (TAD) was initially founded by a group of service-providers, but began to take on an advocacy role over time. By educating people on the regulations on free delivery of medicine for diabetics, they enabled people to legally obtain the medicine free, though it had not been the case before. The TAD now participates in local council (Maslikhat) meetings. On the national level, a working group of NGOs, has been able to attract parliamentarians to their side in developing a new law on NGOs, and other NGOs have lobbied on legislation relating to women's rights, environmental issues, and consumers' rights.

The upcoming parliamentary elections offer particular opportunities for NGOs to support candidates and parties. Unfortunately, several NGOs have forsaken this role in the election process in favor of fielding their own candidates, retarding the process of political party building. Despite these steps forward, most NGOs remain immature in their development of advocacy skills and remain more confrontational in their relations with government than persuasive.

SERVICE PROVISION: 4.5

Many Kazakhstani NGOs are active in the provision of services, particularly in the health sector. While their “product-line” is diversified, most of the service provision NGOs lack the capacity to implement projects for government or international organizations. In particular, they lack the skills to monitor the effectiveness of their service provision and the community relations and constituency to recognize the needs of their “customers.” In this sense, the activities of service provision NGOs are mostly donor driven. Furthermore, few NGOs have established viable means of cost recovery for services.

INFRASTRUCTURE: 5

Several NGO resource centers exist in Kazakhstan, but they are still few in number considering the expanse of the country. Very few of these centers have been able to generate income locally. Most of these resource centers offer training and information as well as access to computers, etc., which has increased the availability of information on NGO and policy related issues.

In the last year, a few issue-based coalitions have formed in Kazakhstan around advocacy issues indicating a realization among the NGO leaders of their greater strength in numbers. In addition, while still rare, there are growing examples of social partnerships between service provision NGOs and local governments. (The Association of Diabetics, described above, stands as one example). There remain serious deficiencies in Kazakh language resources for NGOs.

PUBLIC IMAGE: 4.5

Media coverage of NGO activity has increased in Kazakhstan over the last year. Despite these developments, the coverage remains limited and the public perception of NGO activity is still only nominally improving. Many people still suspect that NGOs are means for opportunists to make money and actually serve little purpose to society. This is especially true in Almaty. The problem of public perception, appears to be less related to media coverage than it is to the NGOs ability to work in communities with a broad constituency base. In short, most people are not experiencing the positive contribution of NGOs in their daily lives.

As for the government's perception of NGOs, officials are generally neutral or positive if an NGO does not raise human rights and/or other advocacy oriented activities. Perceptions tend to be negative towards NGOs advocating for some groups' rights also being involved in some political activities like elections, if the NGO profile does not correspond to that of the government.

A growing number of NGOs have reached out to the media, and journalists are gaining an understanding of the NGO sector. Some NGOs try to include journalists in their membership, using them as their outreach tool. However, some active advocacy groups may have difficulties with media, as the latter is often not truly independent in its voice.